Registered Charities Newsletter
Newsletter No. 10

For information on the following issues, please contact us at 954-0410 for local Ottawa calls (English), or at 954-6215 (bilingual). For toll-free long distance calls, dial 1-800-267-2384 (English), or 1-888-892-5667 (bilingual). You can also write to us at the **Charities Directorate, Canada Customs and Revenue Agency, Ottawa ON K1A 0L5**.

Frequently asked questions:

Can a charity support or oppose a political party or a candidate?
No. However, the *Income Tax Act* allows a charity to be involved in non-partisan political activities as long as it devotes substantially all of its resources to charitable activities. Any political activities have to help accomplish the charity's purposes and remain incidental in scope. A political activity is considered partisan if it involves direct or indirect support of, or opposition to, a political party or candidate for public office. A charity that is involved in partisan political activities can lose its registered status.

A charity can however conduct public forums involving candidates for public office as long as there is a fair and impartial treatment of candidates, and no preferences for a particular candidate or party are expressed.

Can charities issue electronic official donation receipts by e-mail or on the Internet?
Yes, but charities have to make sure receipts are in read-only or non-editable format. Donors or anyone who can access the information through e-mail or the Internet should only be able to read and print the receipts.

A charity's software should protect receipts from hackers during a transmission. Receipts should be encrypted and signed with an electronic signature. The receipts would then be generally safe from changes being made from the outside, and donors would know if someone had altered the contents of the receipts sent.

A charity is responsible for making sure its electronic receipt-issuing is tamper-proof. We do not pre-approve commercial software for the issuing of official donation receipts.

Can an organization that is applying for registration borrow a charity's BN/Registration number for tax-receipt purposes?
No. A BN/Registration number should never be loaned to another organization under any circumstance. A registered charity is ultimately responsible for all tax receipts issued under its name and must account for the corresponding donations it has received, whether it has spent the money on its own programs or transferred the funds to other qualified donees.

Can a revoked charity or an applicant for registration get a temporary BN/Registration number allowing it to issue tax receipts?
No. A revoked charity will not necessarily be re-registered, particularly if its objectives and activities have changed over the years. Applications for registration or re-registration are

reviewed thoroughly to make sure the purposes and activities of an organization are charitable under the law before a BN Registration number for tax receipt purposes is issued.

Can a community organization or a business hold a golf tournament or other fund-raising event for a charity?
Newsletter No. 7, Summer 1998, and Interpretation Bulletin IT-110R3, *Gifts and Official Donation Receipts*, explain that fund-raising golf tournaments are considered to be "like events". If a charity uses another organization to run a "like event" for the charity, it should have a written agreement with the organization. The agreement should spell out how any money earned by the event is to be handled and the procedures for issuing tax receipts. A charity cannot simply hand over its receipting privilege or its control over donated funds to another organization, even if some of the money will flow back to the charity.

A business buys a block of tickets to a charity golf tournament. Should a charity issue the tax receipt in the name of the golfers who use the tickets or in the name of the business?
The general rule is that a charity issues a tax receipt to the business or to the person who wrote the cheque. Therefore, if a charity receives a cheque from a business, the charity will issue the tax receipt to the business. However, there may be situations where co-workers buy tickets for an event by giving the money to the business that buys the tickets for them. The business then gives the charity one payment with a list of the donors. In such cases, the charity should ask the business for documentation showing that the tickets were bought by the individuals before issuing receipts in the name of each golfer.

Charities Directorate online

Our Web site is an excellent source of information for charities, applicants, and donors. It includes interpretation bulletins, information circulars, brochures, printable forms, and contact information. There is also a searchable list of all registered charities with up-to-date information. You simply search for the charity by name, keyword or BN/Registration number. You can access this list by visiting http: //www.ccra-adrc.gc.ca/charities. Select "List of registered charities" from the menu, and then select the "Search" option.

Re-registration fee

In Newsletter No. 8, we released proposed changes in policy for applications for re-registration. In particular, we informed charities that, as early as the spring of 1999, a fee of $225 would be implemented and charged to applicants for re-registration. However, due to on-going consultations within the charitable sector, the implementation of this fee has been postponed. Registered charities will be informed if we decide to continue with this re-registration fee.

Gift certificates

Charities often accept gift certificates for use in auctions, raffles, and other fund-raising activities. However, a gift certificate will likely only qualify as a gift where the donor has given consideration for its acquisition. In other words, a person who issues a gift certificate has simply made a promise to pay and has not given anything. But, a person who buys a gift certificate from the issuer and donates it to a charity may receive a tax receipt for the fair market value of the certificate to the extent that it is negotiable. The receipt must be issued to the donor but not to the issuer of the gift certificate.

A business that issues a gift certificate directly to a charity, is not entitled to receive a tax receipt, but there are two exceptions. First, the charity can buy the gift certificate from the business, and

the business can then return the purchase price. As in all such cases, an exchange of cheques (charity to business, and business to charity) is the proper method to document the transaction.

Second, the business that has given a certificate directly to a charity, may be entitled to a tax receipt when the charity redeems the certificate, provided the certificate is redeemed for property. A gift certificate redeemed for services (i.e., time, skills, or effort) does not involve a transfer of property and so does not qualify as a receiptable gift.

Changes to the *Competition Act*

The federal *Competition Act* was recently amended and now applies to fund-raising activities. Some abusive telemarketing schemes, as well as false and misleading information used in fund-raising are offences under that Act. It is not our mandate to administer the *Competition Act*.

The Competition Bureau is the federal organization that administers the *Competition Act*. You can reach the Bureau by telephone and on the Internet at:

- 1-800-348-5358 (toll free)
- http://competition.ic.gc.ca

Books and records

Please consider what could happen if a fire or other disaster were to destroy the building where a charity's books and records are kept. We have helped some charities re-establish themselves after such a disaster by giving them copies of documents we hold in our files. However, this can only partly replace what may be lost.

You may want to consider keeping duplicates of key documents in a separate location. Storing data electronically can also increase the chances of retrieving information, as long as a regular back-up system is in place, and the back-ups are kept in a safe place.

Reminder

Please send your completed Form T3010, *Registered Charity Information Return*, to the Charities Directorate, Canada Customs and Revenue Agency, Ottawa ON K1A 0L5. Do not send the return to your tax services office -- this may delay the processing of the return, and could result in our issuing a revocation notice for late filing.

This newsletter forms part of a series. Keep this for future reference. All previous newsletters can be viewed on our Website: **www.ccra-adrc.gc.ca/charities**